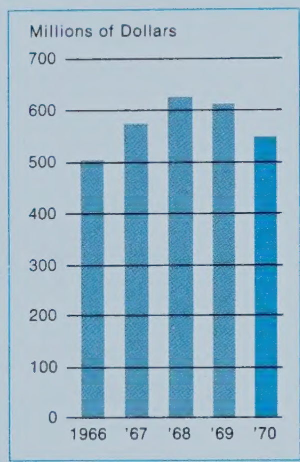
Gulf Oil Corporation
1970 Annual Report

Highlights

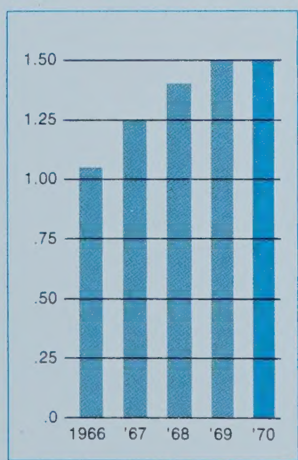
FINANCIAL DATA

Net Income . . . .
Per Share. . . . . .1970—$2.65; 1969—$2.94
Cash Dividends . . . .
Per Share. . . . . .1970 and 1969—$1.50
Working Capital . . . .
Total Assets . . . .
Total Revenues . . . .
Depreciation, Depletion, etc. . . . .
Capital Expenditures (including exploration expense) . . . .

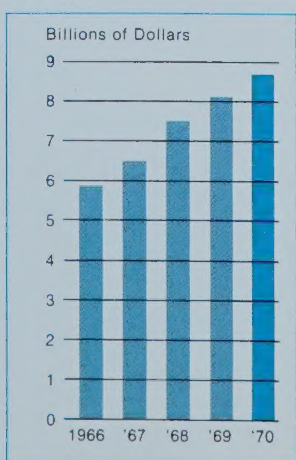
NET INCOME



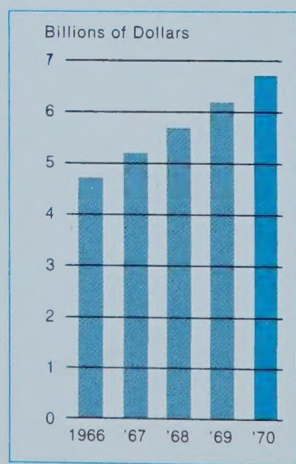
CASH DIVIDENDS PER SHARE
(Adjusted for 2-for-1 stock split in 1968)



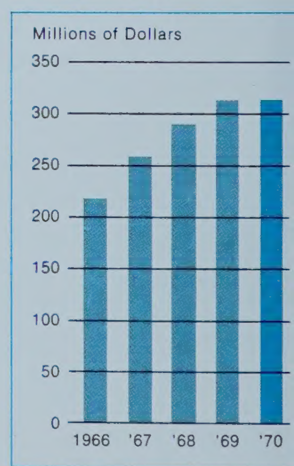
TOTAL ASSETS



TOTAL REVENUES



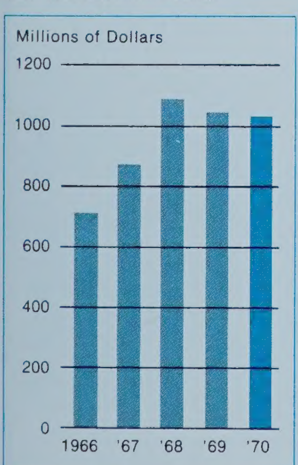
CASH DIVIDENDS



Gulf Oil Corporation 1970 Annual Report

Millions of Dollars 1970	Millions of Dollars 1969
$ 550	$ 611
312	312
1,173	1,089
8,672	8,105
6,720	6,238
522	451
1,141	1,164

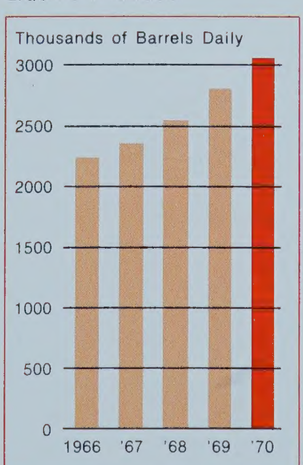
CAPITAL EXPENDITURES



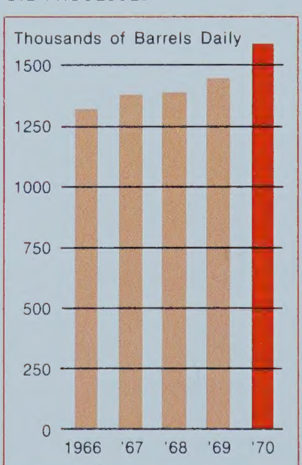
OPERATING DATA

	1970	1969
Net Crude Oil, Condensate and Natural Gas Liquids Produced (daily average barrels)	3,049,900	2,804,000
Net Natural Gas Produced (thousand cubic feet per day)	3,486,000	3,188,100
Crude Oil Processed (daily average barrels)	1,590,700	1,453,000
Refined Products Sold (daily average barrels)	1,545,000	1,450,200
Coal Mined (daily average tons)	21,500	20,900
Chemicals Sold (daily average tons)	13,900	10,200

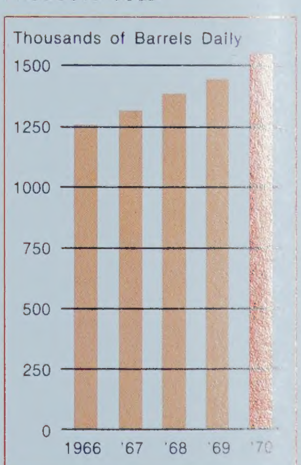
WORLDWIDE NET CRUDE OIL, CONDENSATE AND NATURAL GAS LIQUIDS PRODUCED



WORLDWIDE CRUDE OIL PROCESSED



WORLDWIDE REFINED PRODUCTS SOLD



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The Cover

Members of Baytown, Texas, Boy Scout Troop 182 enjoy a cook out on the grounds of Gulf's Cedar Bayou Olefin Plant. This woodsy area is abundant with native East Texas trees, shrubs and flowers. Photograph by Lois M. Weissflog, Gulf Oil Corporation.

Registrars

Morgan Guaranty Trust Company of New York, New York

Pittsburgh National Bank, Pittsburgh

The First National Bank of Chicago, Chicago

Transfer Agents

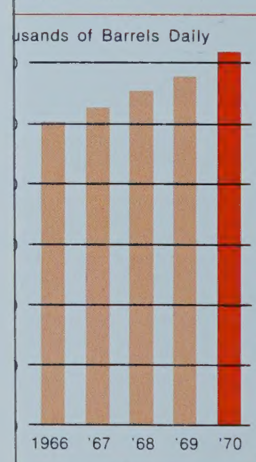
Bankers Trust Company, New York

Mellon National Bank and Trust Company, Pittsburgh

Continental Illinois National Bank and Trust Company of Chicago, Chicago

1970	1969
,049,900	2,804,000
,486,000	3,188,100
,590,700	1,453,000
,545,000	1,450,200
21,500	20,900
13,900	10,200

LDWIDE REFINED
DUCTS SOLD



March 12, 1971

To the Shareholders of Gulf Oil Corporation

Net income of Gulf Oil Corporation for the 12 months ended December 31, 1970 was $550 million, down 9.9 percent from the $611 million earned in 1969. This represented earnings of $2.65 per share in 1970 as compared with $2.94 per share earned in 1969. Cash dividends of $1.50 per share paid during 1970 were $312 million.

Record worldwide volumes in all operating categories were offset by sharp increases in business costs, including higher wages, taxes, interest, materials, and an 80 percent rise in tanker spot-charter costs. This sharp cost increase was due to the strain placed on the world's tanker fleet by the combination of the Suez Canal remaining closed, reduced Libyan production, shutdown of the Trans Arabian Pipeline in Syria, and the resulting requirements for added long tanker hauls of crude from alternate sources, all compounded by the increased European and Asian demand for crude oil from the Middle East.

Although most business costs continue to increase, the impact of rising spot-charter tanker costs was slowed in the fourth quarter due to their gradual replacement by Gulf with long-term charters. We expect a continuing reduction of the effect of high spot-charter costs as long-term charters are expanded and Gulf continues to add to its own foreign flag tanker fleet, which will double in carrying capacity within the next five years.

To help counter the effect of higher business costs, Gulf increased its prices for domestic crude oil and gasoline in November. As with the previous gasoline price increase at the end of March, this one also partially eroded due to competitive retail pressures, but the crude oil price increase was holding at year-end.

In addition to overseas borrowings, Gulf successfully made a $200-million offering of 25-year debentures during the fourth quarter to meet continued heavy capital demands including the increasing costs of meeting environmental needs.

Environmental factors affected many aspects of Gulf operations in 1970. In most cases, they resulted in increased costs to Gulf operations. In other instances, they can have a positive impact on earnings. Whatever effect this growing and worthwhile concern may have on Gulf in the future, we shall continue to support all responsible efforts on behalf of the environment and pledge to continue improving our own operations in this regard.

Outlook

Gulf continued to grow in 1970, not only through its increased geographical diversification, but in its total revenues of $6,720 million, which is an increase of $482 million over 1969. Worldwide production of crude oil, condensate and natural gas liquids increased by 8.8 percent; and natural gas by 9.3 percent. Processed crude volume increased by 9.5 percent and the volume of refined products sold increased by 6.5 percent.

Increased prices for petroleum products in the U.S., Canada and Europe, combined

with operational economies, have begun to have a leveling effect on Gulf's earnings decline and net income is expected to increase in 1971. One major factor which will affect this outlook will be our ability to obtain higher crude oil prices in Europe and Asia to offset the significantly increased payments to the governments of Kuwait and Iran. These increases were the result of industry negotiations completed early in 1971 with the Organization of Petroleum Exporting Countries.

Organization Changes

Gulf Oil Company—South Asia, the Corporation's sixth regional company, was formed in April to consolidate and provide closer management of our growing interests in that part of the world.

Gulf Oil Company—Transportation was formed in June to effect further economies in this high-cost area by centralizing the use of all owned and chartered tankers.

Gulf Energy & Environmental Systems Company was formed in July to expand commercialization of Gulf's nuclear products and to implement our new interest in seeking commercial opportunities in the field of environmental control.

Gulf's growth in the chemicals field led to the creation in August of Gulf Oil Chemicals Company to manage the worldwide chemicals production, distribution, and marketing business of the Corporation.

Board of Directors

All of us were saddened by the death on June 3 of General Richard K. Mellon. As senior member of the Gulf Board of Directors, which he joined in 1933, General Mellon had contributed significantly to the progress of your Corporation.

Four new members have been welcomed to the Board. James M. Walton, President of Carnegie Institute and Carnegie Library of Pittsburgh, was elected April 28, 1970. On June 23, 1970, the Board elected R. Hal Dean, Chairman of the Board and Chief Executive Officer of the Ralston Purina Company, St. Louis, Mo., and James H. Higgins, Executive Vice President, Mellon National Bank and Trust Company, Pittsburgh. Edwin Singer of Corpus Christi, Texas, a partner in Whitcom Investment Company, New York City, was elected to the Board on January 26, 1971.

Employees

As they have in the past, Gulf employees in all parts of the world deserve special tribute for the loyalty, courage and devotion to duty they provided to Gulf throughout the year. The many who endured hardships on behalf of Gulf are especially commended. Mineral and oil exploration and production efforts were further extended into harsh climates and conditions. As never before, 1970 displayed that the true strength of Gulf Oil Corporation comes from the Gulf people.

At year-end, improvements in wages and benefits were granted to all Gulf employees. Expiring contracts were successfully renegotiated with employees represented by bargaining agents.

Respectfully submitted,

E. D. Brockett
Chairman of the Board

B. R. Dorsey
President

United States

Petroleum

Record petroleum volume increases were achieved in the U.S. in all categories in 1970 with the exception of a 3.5 percent decline in gasoline volume which resulted from the attempts to increase prices. Domestic production of crude oil, condensate and natural gas liquids increased 3.9 percent over 1969 volume and natural gas production was up 9.9 percent. Processed crude oil increased 2.2 percent.

Although it has become increasingly difficult to locate new reserves sufficient to replace high production volumes, Gulf continued its extensive exploration effort, drilling attractive prospects as well as acquiring new acreage for exploration. Understandable measures to insure protection of the environment, such as Federal restrictions of development offshore and in Alaskan North Slope areas inhibited this exploration effort. Even when these ecological problems are resolved, an adequate domestic industry oil reserve position will remain in jeopardy due to the reduced exploration incentive from the depletion allowance which was lowered beginning in 1970.

Toward the end of the year oil production volumes permitted by Texas and Louisiana were at their highest levels in history. This high rate was due to increased demand in the U.S. coupled with reduced imports because of the increased cost of tanker charters. Gulf's high crude oil reserve capacity in Texas and Louisiana enabled the company to increase its production significantly when these allowable production rates were raised. As a result of these high rates, Gulf and the industry toward year-end had approached maximum production capacity consistent with good conservation practices.

At the end of 1970, Gulf held 7.4 million acres of producing or prospective oil or gas lands located offshore or on land in 26 states. Producing acreage accounts for 1.7 million of this. Independently or in partnership, Gulf drilled 817 exploratory and development wells in 1970. Of these, 726 were completed as producers.

Refining operations in the U.S. were modified during 1970 to meet two new challenges: a gasoline product with reduced lead content and a threatened shortage of residual fuel oil and home heating oil. The automotive industry announced during the year that effective with its 1971 models, the majority of engines would require only 91-octane gasoline and that a catalytic exhaust device was being designed for future model vehicles to reduce exhaust emissions measurably. Traditional quantities of lead used to increase the octane rating of gasoline were claimed to have a deleterious effect on the useful life of these devices. Although these devices are not expected to be generally available before 1975, immediate public pressure on the oil industry led to the introduction of a variety of no-lead and low-lead gasoline products. Gulf chose to provide under its economy Gulftane brand, and at a price below Gulf's regular grade Good Gulf gasoline, a

Operating Statistics—United States

	1970	1969
Net crude oil, condensate and natural gas liquids produced (daily average barrels)	**626,000**	602,300
Net natural gas produced (thousand cubic feet per day)	**2,757,000**	2,509,500
Crude oil processed (daily average barrels)	**702,300**	687,500
Refined products sold (daily average barrels)	**799,600**	796,200
Chemicals sold (daily average tons)	**10,800**	8,500

New Low-Lead Gulftane was put on the market in 1970 by Gulf Oil Company—U.S., offering the pollution control advantages of low and no-lead gasolines at a price one cent below Gulf's Good Gulf regular grade gasoline. At 91 octane, it is designed to meet automobile manufacturers' recommendations for most 1971 models and more than 20 million other cars on the road.

91-octane fuel manufactured with no more than one-half gram of lead per gallon. A detergent additive designed to lower pollution was included in the new Gulftane Low-Lead, as well as in the Good Gulf regular and No-Nox premium brands.

Construction of the new 155,000 barrels-per-day Alliance refinery located 20 miles down the Mississippi River from New Orleans continued on schedule for operation late in 1971. Incorporating the most modern equipment available, Alliance will increase Gulf's U.S. refining capacity by 20 percent.

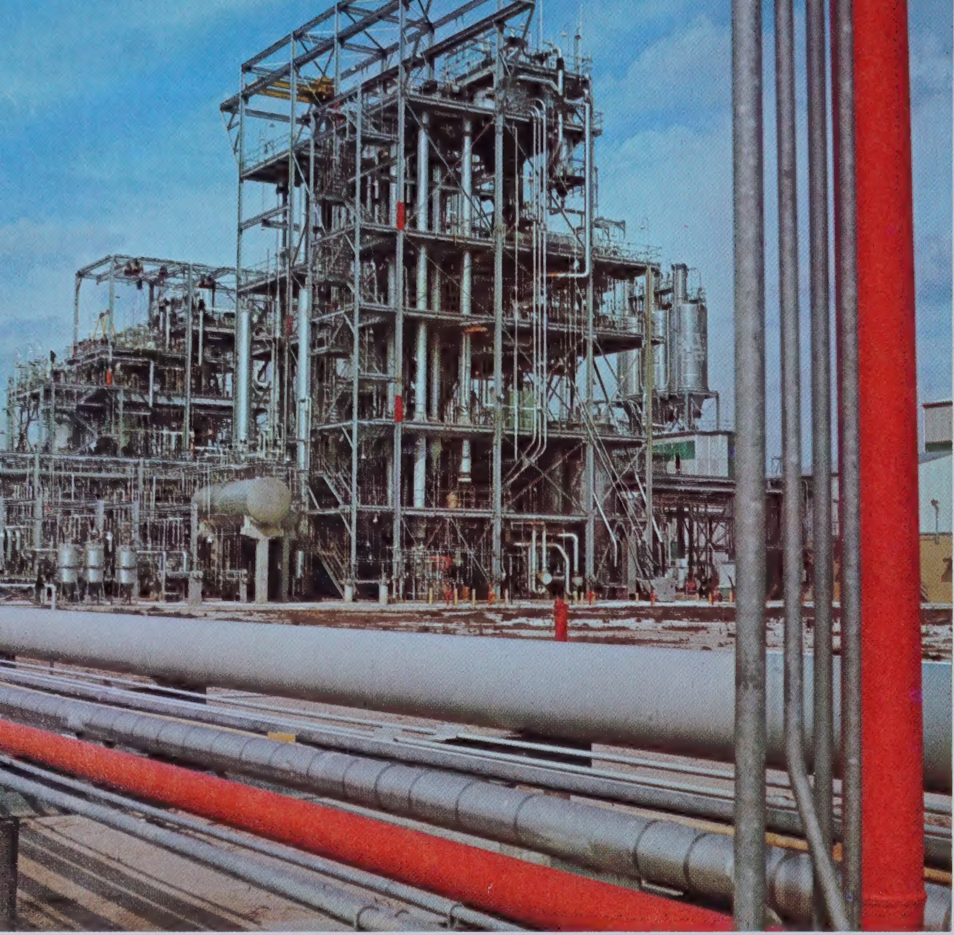
Two attempts were made in 1970 to increase automotive gasoline prices. The first, in late March, lasted through mid-April before the downward trend in competitors' prices and the resulting impact on Gulf dealers' sales volumes forced the company to reduce prices. In early November, Gulf raised its U.S. crude oil price by 25 cents per barrel, and increased its price of gasoline to dealers by seven-tenths of a cent per gallon. Commensurate price adjustments were made to Gulf jobbers and distributors. Although the price increase for crude oil held, there was considerable erosion in the gasoline price increase by year-end.

Gulf advertising in 1970 stressed service to motoring consumers and was concentrated in network television through sponsorship of "The Wonderful World of Disney" and "Instant News" specials. In an agreement reached in 1970, Gulf will become a major participant and sponsor in the new Walt Disney World when it opens in Florida in October 1971, as well as in Disneyland in California. Gulf will sponsor "The Walt Disney Story" attraction in each park and will provide the parks' official automotive products at innovative Gulf Car Care Centers.

To further improve petroleum distribution in the U.S., Gulf, together with seven other oil companies, began construction of Explorer Pipeline Company's new products line which will extend from the Gulf Coast to Chicago. Gulf will have a 26.7 percent interest in this venture. The portion from the Gulf Coast to Tulsa is expected to be in use by the middle of 1971.

Three 20-year contracts for the sale of Gulf's gas reserves in the Delaware Basin of West Texas were signed during the year and deliveries began at mid-year

Gulf's new ethylene unit at Port Arthur began operation in 1970. One of the industry's largest, this plant now produces over a billion pounds per year of olefins. A new cumene unit at Port Arthur also went into operation during 1970.



Covering five acres at Orange, Texas, this high-density polyethylene unit at Gulf's Orange Plastic Division Works has a rated production capacity of 100 million pounds per year. The plant was built to broaden Gulf's line of polyethylene resins.

Reston, Va., the first "new town" in America and a major Gulf real estate investment, continues to earn praise for its unusual mixture of town-and-country environment, providing a new quality of life for urban living. By the early 1980's, the eleven-square-mile community is expected to have a population of 75,000, living in five villages, each with its community center, shopping, cultural, religious, social, and recreational facilities.

through existing pipelines.

Recognizing the need for greater economic incentive to increase investment in natural gas exploration, the Federal Power Commission in 1970 began reexamining the price structure for natural gas. It is hoped that this will result in sufficient price increases to support the finding and development of gas reserves required to meet the growing domestic demand.

Chemicals

Additional chemical production capacity was added in 1970, in line with the continuing effort to upgrade Gulf's basic raw materials and thereby increase the company's profitability. One of the industry's largest ethylene production units began operation at Gulf's Port Arthur refinery in 1970 and by year-end was operating smoothly with a rated annual capacity of 450,000 tons of ethylene and a substantial volume of propylene. A new cumene unit at Port Arthur went into operation in the fourth quarter.

Earnings from increased sales of plastics continued to grow and the sales performance of agricultural chemicals was much improved in 1970. Low-density polyethylene production capacity at Orange, Texas was increased and construction of a new styrene plant began in 1970 at Gulf's Faustina Works near Donaldsonville, La. When completed in mid-1971, it will be one of the largest styrene plants in the world with an initial production capacity of 250,000 tons per year. Gulf's benzene and ethylene are raw materials for producing styrene, which has many end uses including molded automobile parts, boat hulls, tires and refrigeration insulation.

Nuclear Energy

Through the combined efforts of Gulf Mineral Resources Company and Gulf Energy & Environmental Systems Company, the Corporation has become well established in the nuclear energy business as a supplier of nuclear fuels, power reactors, TRIGA

research reactors and electronic systems for reactors.

Gulf discovered additional uranium reserves in 1970 in the Ambrosia Lake District of New Mexico. This potentially commercial deposit is in addition to the company's nearby Mariano deposit. Progress in developing Canadian reserves is discussed in the "Canada" section of this report. Production of the deposits in the U.S. and Canada should begin between 1974 and 1976 when worldwide demand for uranium is expected to enter a rapid growth period.

Early in 1970, Gulf entered into a partnership with Allied Chemical Corporation to build a nuclear fuel reprocessing plant near Barnwell, South Carolina. Planned to be in operation in 1974, the plant will be capable of reprocessing 5.5 tons of fuel a day, equal to the discharge capacity of 60 to 70 light-water nuclear plants. At year-end, letters of intent totaling $100 million in business volume for the plant had been received from manufacturers and utility companies. The Barnwell plant places Gulf and Allied in a leading position in light-water reactor fuel reprocessing.

Operating experience with the High-Temperature Gas-cooled Reactor (HTGR) continues to accumulate. The 40,000-kilowatt prototype HTGR plant at Peach Bottom, Pennsylvania has been in operation since 1967. Construction of the larger and more advanced Fort St. Vrain Nuclear Generating Station near Denver is expected to be completed early in 1972. This 330,000-kilowatt plant is being built under the U.S. Atomic Energy Commission Power Reactor Demonstration Program. It will be the most efficient nuclear electric station in the country when it begins commercial operation for Public Service Company of Colorado. Gulf has begun active marketing of a 1,100,000-kilowatt HTGR system to utility customers. In addition to its commercial activities with the HTGR, Gulf is continuing its development of the gas-cooled breeder reactor for future power plant applications. The A.E.C. and 44 electric utility companies are supporting this program.

Coal

For the past 25 years, and until very recently, a condition of oversupply had existed in the coal industry. This resulted in distress pricing which prevented the U.S. coal industry from achieving satisfactory profits or generating sufficient capital funds. Also inhibiting investment was the industry's assumption that nuclear fuels would make more rapid inroads in power generation than had occurred. For essentially the same reasons, the railroads have not invested in sufficient rail cars and locomotives needed to serve the coal industry. The result has been a production shortage and a shortage of transportation equipment. In addition, new land reclamation laws and the Federal Health and Safety Act have added considerably to the cost of producing coal. These

Construction by Gulf of the 330,000-kilowatt Fort St. Vrain Nuclear Generating Station near Denver is on schedule for completion early in 1972. Its High-Temperature Gas-cooled Reactor (HTGR) system will make the plant the most efficient nuclear electric station in the United States.

This array of power units and equipment at a West Texas drill site tests experimental drilling systems. Gulf Research & Development Company has a continuing program to develop more efficient drilling methods and improve deep-drilling equipment and techniques.

factors have resulted in industry-wide price increases for coal.

Gulf has made substantial investments in its Pittsburg & Midway Coal Mining Company to increase production. Under current marketing conditions, these investments are expected to return a reasonable profit to the Corporation.

To improve Gulf's coal reserve position, an active program of exploration was initiated in 1970. This resulted in increased reserves in western states.

Environmental Systems

Gulf Environmental Systems was formed in 1970 as a division of Gulf Energy & Environmental Systems Company to supply equipment and services to the growing pollution-control field. In December, Gulf acquired controlling interest in the U.S. subsidiary of Degremont SGEA, S.A., the world's leading designer and builder of water and waste treatment systems. The subsidiary has been renamed Gulf Degremont, Inc., and will combine the ROGA reverse osmosis water purification technology from Gulf with Degremont's water and waste treatment capability to market complete systems to industrial and municipal customers. Gulf's commercial reverse osmosis units are currently being used by the electronics and power industries to produce high-purity water. Prototype units are in service treating acid water from mines and waste from electroplating plants and paper mills.

Research and Development

Numerous processes have been developed over the years by Gulf Research & Development Company to reduce air pollution by removing sulfur from products such as gasoline, kerosene, home heating oils, and jet and diesel fuels. In 1970, another development, the HDS (hydrodesulfurization) refining process for heavy fuel oils was proven in the first commercial installation, a 27,000 barrels-per-day unit at the Mizushima

The "delayed coking" unit at Gulf's Port Arthur refinery permits the additional extraction of gasoline and furnace oil, as well as coke, from the residual oil that remains after atmospheric and vacuum distillation of raw crude oil. This enables the refinery to extract a higher percentage of more profitable products from the crude charge.

The Warren Petroleum fractionating plant at Mont Belvieu, Texas, near Houston, separates a "raw mix" of gas liquids into component parts such as ethane, butane, and natural gasoline. These feedstocks are stored in man-made underground salt dome caverns until needed by Gulf refineries and chemical plants or by outside customers.

Gulf Research & Development Company's programmed road simulates a four-lane highway by tapes of actual test car trips that play through equipment connected to the cars. This system repeats the original trip to proof-test Gulf gasolines and oils in actual operating conditions.

Refinery of Nippon Mining Company in Japan. During the initial run of nine months, the sulfur content of fuel oils produced by the refinery was reduced from four percent to one percent. Because of the success of this development, Gulf began construction of a 40,000 barrels-per-day unit at the company's new refinery at Okinawa. Also, Idemitsu Kosan has licensed the process and will install a 40,000 barrels-per-day unit at its Himeji Refinery. After 30 years and $15 million of research, Gulf's HDS process appears to be the best available in the industry.

"Skimcleen," a procedure designed to prevent gas explosions which have occurred during oil tanker cleaning operations, was developed during 1970. Because of the efficiency of this technique, not only is the explosion hazard substantially reduced, but a considerable amount of valuable time is saved in dry dock and the chances of polluting are lessened.

Oil spills at sea may be cleaned up by the use of a promising new wicking agent—asphalt-coated expanded vermiculite. Gulf tests with the agent on fresh water ponds successfully burned crude oil in a forty-mile wind, leaving a clean residue that was easily collected.

A new low-ash Formula G and a new low-ash Multi G, both high-quality Gulfpride motor oils, were developed and introduced in 1970. A gasoline additive to reduce automotive emissions was also developed and research is continuing with catalysts for devices to reduce engine exhaust emissions further.

The GULFREX, Gulf's geophysical research and exploration ship, has been most successful in gathering valuable geological and geophysical information for future use. Its surveys in 1970 in the waters of Asia contributed significantly to the evaluation of exploration areas obtained by Gulf in the past year. These activities are described in the Asia section of this report.

Cars of the future will be equipped with catalytic reactor exhaust systems to reduce emissions of carbon monoxide, unburned hydrocarbons and nitric oxides. Finding catalysts for such systems is a continuing project for Gulf Research & Development Company.

Gulf's new 80,000-barrels-per-day refinery in Edmonton, Alberta, and its companion product pipeline system are on schedule and will begin operations in mid-1971.

Canada

Petroleum

In the first full year of marketing under the Gulf "Orange Disc," sales volumes reached record levels in all categories in 1970. Crude oil, condensate and natural gas liquids produced increased 7.4 percent over volumes in 1969. Natural gas production was up 11 percent. Crude oil processed and refined products sold increased 3.8 percent and 2.2 percent, respectively, and prices of refined products firmed during the year. Volume increases were due, in part, to increased exports to the United States, which is expected to import substantially more crude oil and natural gas from Canada in 1971.

Although development of natural gas fields in Alberta continued to expand, oil and gas exploration in Canada was disappointing again in 1970. No major new oil reserves have been located in Canada since 1965. Because of the lack of significant additional discoveries in the traditional exploration areas of the Western Canada sedimentary basin, the quest for oil and gas has been moving steadily into the higher cost areas—the deep foothills of the Rockies, the northern territories and Arctic islands, and offshore on the east coast and in Hudson Bay. In addition to its strong land position in the Arctic, Gulf Oil Canada Limited arranged a joint venture in 1970 that provided the company with a significant entry into the promising exploration area off the East Coast. Considerable interest by the industry has developed in this area with several shows of oil and gas encountered in 1970.

A major refining expansion program of Gulf Oil Canada Limited neared completion in 1970. The company put into operation a 50 percent expansion of its capacity at the Port Moody refinery near Vancouver, B.C. A 20 percent expansion of catalytic cracking capacity in the Montreal refinery was started during the year and will be completed in 1971. Construction of the 80,000 barrels-per-day refinery in Edmonton, Alberta and its companion product pipeline system is on target and scheduled for start-up in mid-1971. Despite some delays, the new 60,000 barrels-per-day Point Tupper refinery, designed to take advantage of the economies of mammoth tanker transportation, was more than 85 percent complete at year-end and targeted for start-up of the topping operation for Gulf's crude in April with the full plant due to come on-stream later in the second quarter. When the Point Tupper and Edmonton refineries are in production and smaller refineries altered, total refinery capacity for Gulf Oil Canada Limited will be increased some 50 percent to more than

Operating Statistics—Canada

	1970	1969
Net crude oil, condensate and natural gas liquids produced (daily average barrels)	**92,200**	85,800
Net natural gas produced (thousand cubic feet per day)	**394,100**	355,000
Crude oil processed (daily average barrels)	**204,800**	197,300
Refined products sold (daily average barrels)	**190,900**	186,700
Chemicals sold (daily average tons)	**2,100**	1,100

Mammoth tankers will begin supplying crude in 1971 to Gulf's new, 60,000-barrels-per-day refinery at Point Tupper, which by the end of 1970 was 85 percent complete.

300,000 barrels per day.

At the end of the year, construction was nearing completion on the new gas plant in the Strachan field in central Alberta. Deliveries from the plant, in which Gulf has a 50 percent interest, are scheduled to begin early in 1971 through the TransCanada PipeLines at rates up to 200 million cubic feet per day. In view of increased demands for natural gas in both Canada and the U.S., the new plant should produce maximum volumes, increasing Gulf Canada's gas sales in 1971 by as much as 20 percent over the preceding year's sales.

Chemicals

After initial start-up difficulties were overcome, satisfactory operation of Gulf Canada's new olefin plant at Varennes, Quebec, was achieved in 1970. The expanded capacity of this plant, some 200,000 tons annually, is sufficient to supply nearly 40 percent of the present Canadian consumption of ethylene, together with substantial quantities of propylene, butylene, and by-product gasoline.

Uranium

The 1968 uranium discovery in northern Saskatchewan took a major step toward commercialization in 1970. A joint venture of Gulf Minerals Company, Gulf Oil Canada Limited and a company in West Germany, Uranerzbergbau GmbH&Co. KG (Uranerz-Bonn), was formed to develop the Rabbit Lake uranium property.

As a first step toward the construction of a mine and mill, the companies began a detailed engineering study which is expected to be completed by mid-1971. If the study confirms the conceptual engineering work already done, production should commence in 1974.

Gulf holds approximately two million acres of mining claims and exploration permits in Canada and is continuing an active exploration program.

A 10-inch pipe line to carry products from the Edmonton refinery to Calgary will be completed in 1971. From Calgary, products will move to markets of Saskatchewan through the Interprovincial Pipe Line.

Detailed engineering studies of Gulf's uranium property in the Rabbit Lake area in Northern Saskatchewan began in 1970. This was the initial step toward construction of a mine and mill for eventual production which is contemplated in 1974.

Latin America

Operating Statistics—Latin America

	1970	1969
Net crude oil, condensate and natural gas liquids produced (daily average barrels)	**204,000**	209,000
Net natural gas produced (thousand cubic feet per day)	**78,900**	78,600
Crude oil processed (daily average barrels)	**197,700**	145,400
Refined products sold (daily average barrels)	**89,200**	74,400
Chemicals sold (daily average tons)	**300**	200

Venezuela

Net production of crude oil, condensate and natural gas liquids increased seven percent over 1969 volumes. Crude oil processed increased by 52 percent and refined products sold by 64 percent. Following the adverse effect in 1969 of a refinery fire, Venezuela Gulf Refining Company processed record volumes at Puerto la Cruz. In light of the impending shortage of natural gas in the United States, a study is underway to determine the feasibility of Gulf supplying natural gas from Eastern Venezuela for liquid natural gas export to the U.S.

Earnings failed to increase with volumes in 1970 due to an amendment to the Venezuelan income tax law late in the year which increased income taxes retroactive to January 1, 1970.

Colombia

Crude oil production volumes from partner-operated joint ventures in the southern part of the country increased 30 percent over the previous year. In other areas of the country, a contract was completed late in 1970 with another company for oil exploration in a Gulf-held area of about 2,200 square miles off the Caribbean Coast of Colombia. Another promising exploration area in which Gulf plans to conduct wildcat drilling is on the Pacific West Coast of Colombia and is readily accessible to Gulf's jointly owned oil loading and handling facilities at Tumaco.

Ecuador

Gulf and its partner in Ecuador continued to achieve excellent results in 1970 from exploration in the eastern part of the country, to the south of the Putumayo producing fields of Colombia. By the end of the year, 11 separate oil fields had been discovered, providing proven reserves adequate to

Excellent exploration results were achieved in Ecuador in 1970 by Gulf and its partner. This drilling rig is in one of 11 separate oil fields discovered in eastern Ecuador, south of the producing Putumayo fields of Colombia.

support the projected initial pipeline flow of 250,000 barrels per day. At year-end, construction was on schedule for this Trans-Ecuadorian Pipeline to extend 313 miles across the Andes Mountains. The line will be completed in 1972.

Gulf's marketing and refining company increased its sales over 1969 and at year-end was completing a refinery expansion project.

Other Latin America Activities

Gulf began two joint exploration ventures in 1970; one partner-operated in the coastal area near Buenos Aires, and the other in the western part of Argentina south of Mendoza, with Gulf being the operator. Gulf's Puerto Rican refinery began additional modernization of its facilities in order to meet the competitive on-island market for increased premium gasoline and for better quality distillate fuels. Gulf continued to pursue active market development in Puerto Rico, the Bahamas, Guatemala, Costa Rica, Panama and Peru during the year.

Europe

Petroleum

Gulf's principal exploration efforts in Europe are in the North Sea. At mid-year, Gulf Oil (Great Britain) Ltd. was granted two licenses by the U.K. government in a joint venture to explore ten blocks in three areas of the North Sea. In another venture, Gulf was granted an additional license in the Irish Sea. Gulf also participated in exploratory projects in Italy and Turkey in 1970.

Gulf markets crude oil throughout Europe from production in Africa and the Middle East. Economic inflation, a rapid increase in demand for crude and fuel oil, and high tanker costs drove up the cost of all oil imports to Europe in 1970.

Gulf's refining volumes in Europe increased 26.4 percent in 1970. Sales of refined products increased 32.6 percent over 1969.

Refining expansions underway in Europe during 1970 included a new 80,000 barrels-per-day installation at Bertonico, southeast of Milan, Italy, and a 100,000 barrels-per-day refinery at Bilbao, Spain.

Gulf announced in April the purchase of majority interest in the Frisia group of companies in West Germany from Saarbergwerke A.G. The Frisia operations include petroleum refining, marketing, distribution and transportation. The system involves a 50,000 barrels-per-day refinery at Emden and some 650 retail outlets throughout West Germany. The conversion of Frisia stations to the Gulf "Orange Disc" was completed in the fall of 1970. With the Frisia outlets, Gulf at year-end had about 6,400 retail outlets in 12 European countries.

Chemicals

Start-up of major petrochemical capacity was initiated in continental Europe in 1970. At the Europoort complex in Holland, Gulf brought into operation one of the largest styrene units in the Eastern Hemisphere with a capacity of 236,000 tons per year. A cumene unit with a 165,000-ton annual capacity also was started, making Gulf the largest cumene producer in the world. Substantial progress was made towards completion of a large naphtha cracker which will begin operation early in 1971 with an annual capacity of 330,000 tons of ethylene and 100,000 tons of propylene as its primary products.

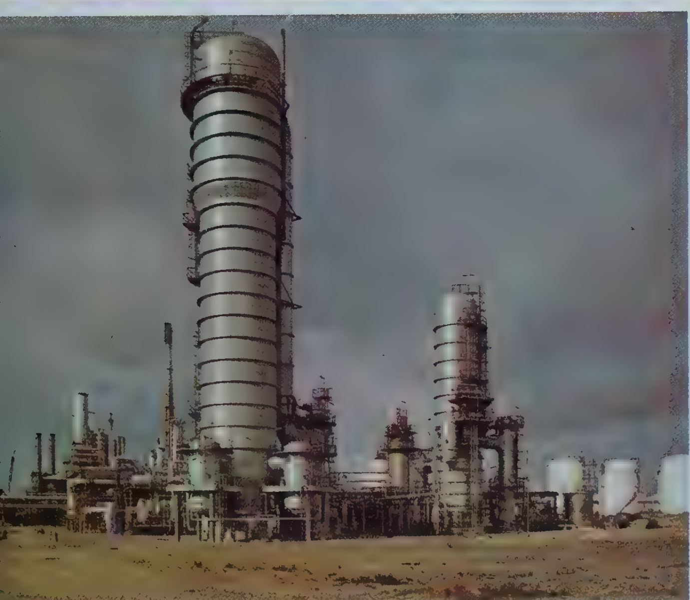
In Spain, a Gulf joint venture company, Rio Gulf Petrolquimica, began operation in Huelva of an aromatics plant that has an annual production capacity of 132,000 tons of benzene and 44,000 tons of cyclohexane.

Operating Statistics—Europe

	1970	1969
Crude oil processed (daily average barrels)	**317,500**	254,700
Equity interest (50% or less)	**83,200**	75,500
Refined products sold (daily average barrels)	**318,700**	250,900
Equity interest (50% or less)	**60,500**	35,100
Chemicals sold (daily average tons)	**500**	300
Equity interest (50% or less)	**1,100**	900

One of the largest styrene units in the Eastern Hemisphere went into operation in 1970 at Gulf's refinery in Holland's Europoort complex. Capacity is 236,000 tons per year. A cumene unit also was added with a capacity of 165,000 tons per year. This added capacity makes Gulf the world's largest cumene producer.

Gulf's new 50,000-barrels-per-day refinery at Emden, West Germany, was acquired in 1970 with the purchase of majority interest in the Frisia group of companies.



The Gulf-Porsche European motor racing successes were the basis for an advertising and promotion program in West Germany to support sales for the Frisia stations converted to Gulf from Saarbergwerke A.G. in 1970.

Nigeria

Early in 1970, a successful wildcat located offshore in 11 feet of water about 10 miles north of the Meren field produced 42-degree gravity, low-sulfur crude which is in great demand throughout the world. Gulf announced early in 1971 another commercial discovery onshore about eight miles northeast of Gulf's Escravos Terminal and about 60 miles southwest of Benin City.

Production for 1970 averaged 231,700 barrels of oil per day from five fields in Nigeria. This is an increase of 45,800 barrels per day over the average production rate in 1969. Two additional fields, the Malu and Parabe, will be added to the system early in 1971 upon the completion of pipeline and production facilities.

Angola

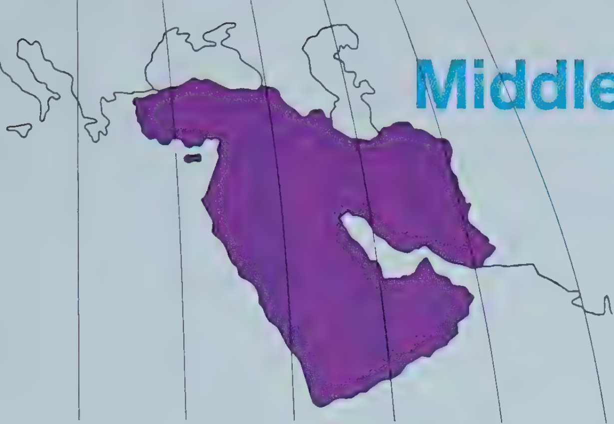
In May, a wildcat resulted in discovery of oil in a thick limestone section off the coast of Cabinda. An early production test produced 32-degree gravity oil at a rate in excess of 5,000 barrels per day. A platform and pipeline for this commercial discovery should be in operation by mid-1971. Cabinda Gulf Oil Company began producing oil in September 1968. Production in 1970 averaged 84,700 barrels a day, which was an increase of 51,200 barrels over daily average production in 1969.

Democratic Republic of the Congo

A significant commercial discovery was made in December, when Gulf encountered oil in a wildcat well located ten miles offshore in the concession granted by the Democratic Republic of the Congo (Kinshasa) jointly to Gulf Oil Congo S.A.R.L. and Societe du Littoral Congolais. Three zones tested oil from the well at rates averaging nearly 5,000 barrels a day. Further drilling was planned to evaluate the discovery further and additional testing was underway at the end of the year.

Operating Statistics—Africa

	1970	1969
Net crude oil, condensate and natural gas liquids produced (daily average barrels)	**316,400**	219,500



Middle East

Operating Statistics—Middle East

	1970	1969
Net crude oil, condensate and natural gas liquids produced (daily average barrels)	**1,811,300**	1,687,400
Net natural gas produced (thousand cubic feet per day)	**256,000**	245,000
Crude oil processed (daily average barrels)	**139,900**	143,100
Refined products sold (daily average barrels)	**124,500**	119,800

Despite the difficult tax negotiations between the industry and the Organization of Petroleum Exporting Countries, Gulf's relations with the governments of Kuwait and Iran have remained on an excellent basis and both countries continue to provide stable conditions for normal operations of Gulf investments.

Gulf's production of crude oil in Iran increased 11.9 percent in 1970. In Kuwait, the company's production increased 6.9 percent over the preceding year. Contributing to this increase was the completion in northern Kuwait of three additional gathering centers, raising production capacity by 400,000 barrels per day. Although Kuwait production increased, its portion of Gulf's worldwide production decreased slightly due to the company's diversification into other parts of the world.

Plans for a natural gas processing facility were announced in February 1971. The facility will be constructed under a cooperative agreement of the Government of Kuwait, Gulf, and British Petroleum Company and will be designed to recover approximately 1.1 million tons per year of propane, butane and natural gasoline from natural gas produced in Kuwait's Burgan oil field. Kuwait Oil Company, which is jointly owned by Gulf and British Petroleum, will operate the facility, which is scheduled to begin production late in 1973.

Loading operations at the Sea Island Terminal of Kuwait Oil Company Limited have regularly achieved rates to 15,000 tons of crude oil per hour for ocean-going tankers to transport from Mina al Ahmadi to Bantry Bay.

Gulf increased its participation last year in the Asian area, which constitutes the world's fastest growing market for petroleum.

Gulf's processed crude oil volumes in Asian operations in 1970 increased 13.9 percent over the 1969 volumes and sales of refined products decreased by $\frac{4}{10}$ of one percent.

Exploration

Drilling began in a 67,000-square-mile contract area in the South China Sea late in 1970. During the year Gulf acquired two additional production-sharing contract areas in and around the Island of Sulawesi. Gulf now has exploration agreements covering 117,000 square miles of Indonesian territory. In Thailand, Gulf has exploration rights to one onshore and three offshore blocks, but drilling awaits passage of a Petroleum Law, which is expected to occur in 1971. Investigations began in Tonga on a 6,000-square-mile block in which Gulf holds a minority interest.

Gulf Oil Company of China began oil exploration in December over the continental shelf near the city of Keelung in the Republic of China. In Japan, Teikoku Oil Company, Ltd. and Gulf agreed to a joint offshore oil exploration venture in an area extending southwest from Kyushu Island and in August geophysical work began. In Korea, surveys were completed on the two offshore blocks covered by an agreement made with the Korean government in 1969. Drilling in this area, which totals 31,800 square miles, is expected to begin late in 1971 or early 1972. In partnership with an Australian firm, Gulf also applied for exploration areas in the New Guinea Territory of Papua. At year-end, Gulf held license or agreement interests in more than 100 million acres of Asian waters, constituting a total area roughly the size of California.

Refining

Gulf increased its ownership in Korea Oil Corporation from 25 percent to 50 percent in 1970. KOCO is the principal supplier of petroleum products in Korea. During 1970, KOCO processed in excess of 100,000 barrels-per-day, as compared to an average 21,000 barrels-per-day in 1964 when operations began. In addition, the Korean Government has authorized the construction of an additional 100,000 barrels-per-day of refining capacity for KOCO to meet increasing demand for products in Korea.

In the Republic of the Philippines, Filoil Refining Corporation, a majority-owned Gulf Company, has completed a technical improvement program that increased refining capacity by 7,000 barrels a day in 1970.

Construction began in 1970 on a new 100,000 barrels-per-day refinery in Okinawa, which is expected to be completed in 1972.

China Gulf Oil Company, which produces lubricating oil in the Republic of China, initiated a program to expand its capacity by 38 percent. Output of this plant, a joint venture with the Chinese Petroleum Corporation, is marketed throughout Asia.

Marketing

The new deep-water terminal facility at Okinawa, similar to the Bantry Bay terminal in Ireland, began operations on May 30.

Gulf's 50 percent owned marketing company in Korea, Heung Kuk Sang Sa, continued to improve its position as one of the country's major marketers of petroleum products. Korea Lubricants Company Ltd. was formed in 1970 in Seoul as a joint venture of Korea Oil Corporation and Gulf. The new company will provide Korea's first modern lube oil manufacturing facility, capable of producing 3,000 barrels a day.

In Hong Kong, Gulf markets a full line of petroleum products, including LPG, through the Hong Kong Oil Company, and achieved record volumes again in 1970 with a 20 percent increase over 1969 volumes.

Chemicals

The first units of the Republic of Korea's petrochemical industry went on-stream in

Gulf Asian Terminals, Inc. at Okinawa, the new deep-water terminal facility similar to the Bantry Bay terminal in Ireland, began operations in May. Construction was completed by year-end.

May at Korea Oil Corporation's Wulsan Refinery. At full operation, the platformer and sulfolane units are designed to produce an annual capacity of 55,000 tons of benzene, 66,000 tons of toluene, and 88,000 tons of xylene. Planned for completion early in 1972 is a naphtha cracker with an annual capacity of 110,000 tons of ethylene, expandable to 165,000 tons. Other related units will be a 20,000-ton butadiene extraction unit, a 49,000-ton toluene dealkylation plant, a 40,000-ton cyclohexane unit, and a 110,000-ton gasoline hydrotreater.

In Taiwan, China Gulf Plastics Company, which produces polyvinyl chloride and fabricated PVC products, increased its sales of these products by 36 percent.

Singapore Gulf Plastics (Private), Ltd. at the end of 1970 neared completion of a newly constructed plastics fabrication plant with a processing capability of 6,000 tons per year. The new Singapore plant adds new techniques in plastics fabrication not previously introduced in Asia. When in full production, the plant will employ 150 people manufacturing a variety of plastic products for the domestic market as well as for export.

Gulf began construction of a bulk fertilizer bagging plant in Indonesia as a joint venture with Pertamina, the Indonesian state petroleum company. The plant is scheduled for completion in the first half of 1971 and will have an annual capacity of 400,000 tons. Chinhae Chemical Company, a joint-venture fertilizer operation, and A-Jin Chemical Company, a joint-venture plastics fabricating company, both in Korea, completed their most successful operating year in 1970.

Operating Statistics—Asia

	1970	1969
Crude oil processed (daily average barrels)	28,500	25,000
Equity interest (50% or less)	61,800	28,100
Refined products sold (daily average barrels)	22,100	22,200
Equity interest (50% or less)	57,100	24,900
Chemicals sold (daily average tons)	200	100

Sulfur content of heavy fuel oils was reduced from four percent to one percent by successful commercialization of Gulf's residual HDS (hydrodesulfurization) process in 1970 at the Mizushima Refinery of Nippon Mining Company in Japan. Gulf's HDS process is targeted for two more Asian installations. Past Gulf developments have removed sulfur from gasoline, kerosene, home heating oils, and jet and diesel fuels.

Consolidated Statement of Income and Retained Earnings

	Millions of Dollars Years Ended December 31	
	1970	1969
REVENUES		
Sales and other operating revenues	$6,597	$6,110
Dividends, interest and other revenues	123	128
	6,720	6,238
DEDUCTIONS		
Purchased crude oil, products and merchandise	1,656	1,431
Operating, selling and administrative expenses	1,992	1,885
Taxes on income and general taxes (Note 12)	1,888	1,773
Depreciation, depletion, amortization and retirements (Note 5)	522	451
Interest on long-term debt	112	87
	6,170	5,627
NET INCOME	550	611
Per Share 1970—$2.65; 1969—$2.94		
RETAINED EARNINGS AT BEGINNING OF YEAR	3,556	3,257
CASH DIVIDENDS PAID	(312)	(312)
Per Share 1970 and 1969—$1.50		
RETAINED EARNINGS AT END OF YEAR*	$3,794	$3,556

*Approximately $112 million is restricted as to payment of dividends.

The notes on pages 27 to 29 are an integral part of the financial statements.

Consolidated Statement of Financial Position

	Millions of Dollars December 31	
ASSETS	1970	1969
Current Assets		
Cash	$ 113	$ 88
Marketable securities (Note 2)	352	465
Receivables (Note 2)	1,272	1,138
Inventories (Note 3)	622	564
Prepaid expenses	89	71
Total Current Assets	2,448	2,326
Investments and Long-Term Receivables (Note 2)	767	606
Properties (Note 5)	5,342	5,069
Deferred Charges (Note 4)	115	104
TOTAL ASSETS	$8,672	$8,105
LIABILITIES		
Current Liabilities		
Notes payable and current long-term debt (Note 9)	$ 237	$ 193
Accounts payable and accrued liabilities	791	842
Accrued income taxes	247	202
Total Current Liabilities	1,275	1,237
Long-Term Debt (Note 9)	1,695	1,448
Deferred Income Taxes	129	80
Other Liabilities	72	82
Minority Interests	223	218
TOTAL LIABILITIES	3,394	3,065
SHAREHOLDERS' EQUITY		
Capital (Note 10)	1,484	1,484
Retained Earnings	3,794	3,556
TOTAL SHAREHOLDERS' EQUITY	5,278	5,040
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$8,672	$8,105

The notes on pages 27 to 29 are an integral part of the financial statements.

Consolidated Statement of Source and Application of Funds

	Millions of Dollars Years Ended December 31	
	1970	1969*
SOURCES		
Net income	$ 550	$ 611
Depreciation, depletion, amortization and retirements	522	451
Deferred income taxes	49	66
Income applicable to minority interests	15	17
From operations	1,136	1,145
Long-term borrowings	403	278
Other—net	55	—
	1,594	1,423
APPLICATIONS		
Properties	939	953
Business investments	93	88
Reduction of long-term debt	156	136
Cash dividends to Gulf shareholders	312	312
Cash dividends to minority shareholders	10	11
Other—net	—	19
	1,510	1,519
INCREASE (DECREASE) IN WORKING CAPITAL	$ 84	$ (96)

*Reclassified for comparative purposes

The notes on pages 27 to 29 are an integral part of the financial statements.

Opinion of Independent Accountants

PRICE WATERHOUSE & CO.

TWO GATEWAY CENTER
PITTSBURGH 15222

February 23, 1971

To the Shareholders and Board of
Directors of Gulf Oil Corporation

In our opinion, the accompanying statements of financial position, the related statements of income and retained earnings and the statements of source and application of funds present fairly the consolidated financial position of Gulf Oil Corporation and its subsidiaries at December 31, 1970 and 1969, the results of their operations and the supplementary information on funds for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the consolidated financial statements of Gulf Oil Canada Limited and its subsidiaries; our opinion, insofar as it relates to the amounts included for these companies, is based upon the reports of other independent accountants.

Price Waterhouse & Co.

Notes to Financial Statements

Note 1—Principles of Consolidation

The accounts of Gulf Oil Corporation and all subsidiary companies more than 50% owned are included in the consolidated financial statements except for those engaged in real estate activities. Investments in 50% owned companies and in real estate subsidiaries are stated on an equity basis. The change to the equity basis in 1970 for real estate subsidiaries had no effect on either net income or net assets. Investments in less than 50% owned companies and other investments are stated at cost.

Balances and transactions in foreign currencies have been translated to United States dollars as follows: long-term investments and properties—at rates current on dates of acquisition; accumulated depreciation, depletion and amortization and related provisions against income—on basis of dollar value of the related assets; all other assets and liabilities—at rates current at end of period; and operating income and other expenses—at average monthly rates.

At December 31, 1970 and 1969, consolidated net assets related to operations in the Western Hemisphere amount to \$4,123 million and \$4,021 million, respectively, and in the Eastern Hemisphere to \$1,155 million and \$1,019 million, respectively. Consolidated net income for 1970 and 1969 includes amounts attributable to operations in the Western Hemisphere of \$433 million and \$469 million, respectively, and in the Eastern Hemisphere of \$117 million and \$142 million, respectively.

Note 2—Receivables and Investments

Current receivables are stated net of allowances for doubtful accounts of \$20 million and \$14 million at December 31, 1970 and 1969, respectively. Marketable securities are carried at cost which approximates market value. Investments and long-term receivables include amounts with real estate subsidiaries and associated companies (50% or less owned) of \$245 million and \$169 million at December 31, 1970 and 1969, respectively, and in 1970 the net receivable under the Bolivian Supreme Decree of \$78 million (See Note 13).

Note 3—Inventories

Inventories of crude oil, chemicals, products and merchandise of \$533 million and \$480 million at December 31, 1970 and 1969, respectively, generally are valued at average cost applied on the "last-in, first-out" basis, which in the aggregate is lower than market value except Canadian subsidiaries which value such inventories generally at the lower of cost applied on the "first-in, first-out" basis, or market value.

Materials and supplies of \$89 million and \$84 million at December 31, 1970 and 1969, respectively, generally are valued at cost or less depending on the condition of the items.

Note 4—Research and Development Expenditures

Research and development costs generally are charged to income as incurred. However, costs relative to a substantial development program in the nuclear energy field have been deferred and the total estimated costs are being amortized over the development period. After considering related deferred income taxes, \$30 million and \$24 million have been deferred in the accounts at December 31, 1970 and 1969, respectively.

Note 5—Properties

	Millions of Dollars							
	December 31				Year			
	Gross Investment at Cost		Accumulated Depreciation, etc.		Depreciation, etc. Charged to Income		Expenditures	
	1970	1969	1970	1969	1970	1969	1970	1969
Exploration & Production	**\$ 4,587**	\$4,481	**\$2,656**	\$2,463	**\$265**	\$226	**\$239**	\$388
Natural Gas Liquids	**311**	294	**152**	143	**15**	12	**24**	21
Transportation	**845**	801	**337**	311	**32**	29	**49**	104
Refining	**1,687**	1,358	**783**	729	**55**	51	**341**	132
Chemicals	**614**	568	**196**	188	**43**	29	**76**	88
Marketing	**1,873**	1,776	**621**	580	**91**	84	**160**	187
Other	**295**	319	**125**	114	**21**	20	**50**	33
	\$10,212	\$9,597	**\$4,870**	\$4,528	**\$522**	\$451	**\$939**	\$953

Costs of undeveloped leases generally are amortized from date of acquisition, based on average holding period, and are transferred to producing properties if production is obtained; the costs of leases relinquished are charged to accumulated amortization. Exploration costs and costs of dry holes are charged currently to income. The provisions for depreciation and depletion of lease and well equipment, intangible drilling costs, and leasehold costs for producing leases represent charges per unit of production based on estimated recoverable oil and gas reserves.

Provisions for depreciation and amortization of properties other than those of the exploration and production departments are generally determined on the group basis using the straight-line method based on estimated remaining useful economic lives of groups of related properties. Under this method rates are revised when a change

in life expectancy becomes apparent. Maintenance and repairs are charged to income, and renewals and betterments which extend the physical or economic life of the properties are capitalized.

Properties retired or otherwise disposed of are eliminated from the property accounts and the amounts, after adjustment for salvage and dismantling expenses, are charged to accumulated depreciation or depletion; only gains and losses on extraordinary retirements, retirements involving entire groups of properties, and properties retired or otherwise disposed of by certain foreign subsidiaries are taken to income.

Note 6—Commitments

The companies have noncancelable tanker charters expiring at various dates to the year 1981 for which minimum rentals for 1971 are approximately $68 million. The companies also have noncancelable leases for service stations, office space, tank cars and other property for which minimum rentals payable in 1971 are estimated at $61 million. Rental income from all such properties subleased and chartered to others is estimated at $41 million for 1971.

The companies have commitments in the ordinary course of business for the acquisition or construction of properties and for the purchase of materials, supplies and services which in the opinion of the officers are not significant in relation to the net assets of the companies.

Note 7—Contingent Liabilities

The companies were contingently liable for guarantees of loans payable by associated companies, owners of service stations and others in the amount of $110 million. The companies also have other contingent liabilities and claims, including claims resulting from oil leakage in the Santa Barbara, California, Channel. Officers of the corporation are of the opinion that adequate provision for these contingencies and claims has been made in the accounts or through insurance.

Note 8—Pension Plans

The companies have various pension programs covering substantially all of their employees. As of January 1, 1970 and 1969 the corporation's principal pension program was amended to provide additional benefits for employees. Effective with the 1969 change, an increase was made in the annual rate for recognition of unrealized appreciation in investments held by the trustee and in the rate of interest used in the actuarial valuation. The effect of these changes on net income in the year of change was not material.

The provisions charged to income for the years 1970 and 1969 were $36 million and $20 million, respectively. The companies' general policy is to fund pension costs accrued. As of December 31, 1970, estimated unamortized prior service costs of the programs aggregated approximately $114 million which generally is being amortized over no more than 15 years.

Note 9—Long-Term Debt

	Millions of Dollars December 31	
	1970	1969
Gulf Oil Corporation		
8½% sinking fund debentures due in 1995*	$ 168	$ —
6⅝% sinking fund debentures due in 1993	200	200
5.35% sinking fund debentures due in 1991	100	100
5.65% notes payable 1971 through 1990	135	139
2½ to 5¼% notes payable 1971 through 1982	138	238
Other obligations	18	23
	759	700
Consolidated Subsidiaries		
United States dollars—3¾ to 9% payable 1971 through 1991**	441	361
German marks—4½ to 7% payable 1971 through 1983	162	148
Canadian dollars—3½ to 8⅝% payable 1971 through 1990	192	133
Swiss francs—5 to 8⅞% payable 1971 through 1982	122	92
Italian lire—7½% payable 1974 through 1985	60	60
Other currencies	79	84
	1,815	1,578
Included in Current Liabilities	120	130
Long-Term Debt	$1,695	$1,448

*Balance of $200 million to be issued in 1971
**Largely borrowings outside United States

Note 10—Capital

	Capital Stock		Other Capital	Treasury Shares		Total Capital
Dollar Amounts in Thousands	Shares	Amount		Shares	Cost	
Balance December 31, 1968	211,770,696	$882,378	$708,187	(4,163,930)	$ (97,018)	$1,493,547
Additional costs related to properties acquired from majority-owned subsidiary liquidated in 1966; such properties are included in the consolidated statements at that subsidiary's historical cost	—	—	(6,876)	—	—	(6,876)
Sale of stock to option holders	107,853	449	2,573	5,776	118	3,140
Other acquisitions (net)	—	—	64	(155,161)	(6,223)	(6,159)
Balance December 31, 1969	211,878,549	882,827	703,948	(4,313,315)	(103,123)	1,483,652
Sale of stock to option holders	8,820	37	179	—	—	216
Other disposals (net)	—	—	41	22,338	132	173
Balance December 31, 1970	211,887,369	$882,864	$704,168	(4,290,977)	$(102,991)	$1,484,041

There are 300,000,000 shares of capital stock authorized without par value. At December 31, 1970 and 1969 there were 207,596,392 and 207,565,234 shares outstanding, respectively, after deducting shares held in the treasury for corporate purposes.

Note 11—Stock Options

A summary of changes in capital stock reserved for sale to officers and employees under stock options is:

	Reserved Shares		
	Options Granted	Not Optioned	Total
Balance December 31, 1968	727,730	1,000,000	1,727,730
Options granted March 20, 1969	187,100	(187,100)	—
Options exercised at prices from $13.53 to $36.66 a share	(113,629)	—	(113,629)
Options expired	(7,300)	1,700	(5,600)
Balance December 31, 1969	793,901	814,600	1,608,501
Options granted January 29, 1970	318,200	(318,200)	—
Options exercised at prices from $18.96 to $28.00 a share	(8,820)	—	(8,820)
Options expired	(61,850)	10,050	(51,800)
Balance December 31, 1970	1,041,431	506,450	1,547,881

The balance of reserved shares under option at December 31, 1970 consisted of unissued stock reserved for options of which (a) 724,681 shares are presently exercisable at prices ranging from $18.96 to $42.94 a share (fair market values at dates granted), and expire periodically to April 18, 1978 and (b) 316,750 shares are exercisable for a period of four years beginning January 29, 1971 at $25.25 a share (fair market value at date granted).

Note 12—Taxes on Income and General Taxes

	Millions of Dollars	
	1970	1969
Consumer excise taxes	$1,201	$1,156
U. S. and foreign income taxes		
Current	441	381
Deferred	49	66
General taxes and import duties	197	170
	$1,888	$1,773

Note 13—Bolivia

On October 17, 1969 Gulf's business and assets in Bolivia were seized by the Bolivian government.

In September, 1970 the corporation reached agreement with the Bolivian government with respect to compensating Gulf for its properties in Bolivia seized by that government. The amount of indemnification was established by Supreme Decree on September 10, 1970 and is to be paid without interest over a period of not more than twenty years and is contingent upon exportation of sufficient hydrocarbons from certain fields within that period.

The amounts receivable under the terms of the indemnification decree and other arrangements have been recorded in the 1970 accounts, the effect of which was the recovery of the consolidated net book value of the Bolivian assets plus certain other assets which had been previously written off in the consolidated accounts. The effect of the settlement on net income was not material.

Five Year Financial Summary

	1970	1969	1968	1967	1966
		Dollar Amounts in Millions			
Sales and other operating revenues (including consumer excise taxes)	$ 6,597	$6,110	$5,596	$5,110	$4,656
Net income	$ 550	$ 611	$ 626	$ 578*	$ 505
Per share**	$2.65	$2.94	$3.02	$2.79	$2.44
Per dollar of sales and other operating revenues	8.3¢	10.0¢	11.2¢	11.3¢	10.8¢
Cash dividends paid	$ 312	$ 312	$ 291	$ 259	$ 218
Per share**	$1.50	$1.50	$1.40	$1.25	$1.05
Financial condition at year end					
Total assets	$ 8,672	$8,105	$7,498	$6,482	$5,908
Working capital (current assets less current liabilities)	$ 1,173	$1,089	$1,185	$ 883	$ 909
Ratio of current assets to current liabilities	1.92	1.88	2.08	1.86	2.04
Long-term debt (includes portion in current liabilities)	$ 1,815	$1,578	$1,371	$ 724	$ 633
Employed capital (shareholders' equity, long-term debt, minority interests, deferred revenues)	$ 7,350	$6,879	$6,389	$5,413	$5,005
Shareholders' equity	$ 5,278	$5,040	$4,751	$4,412	$4,089
Per share**	$ 25.42	$24.28	$22.88	$21.27	$19.73
Percent return	10.7%	12.5%	13.7%	13.6%	12.8%
Properties—gross	$10,212	$9,597	$8,798	$7,900	$7,328
Properties—net	$ 5,342	$5,069	$4,622	$4,068	$3,723
Expenditures for properties and business investments	$ 1,032	$1,041	$1,089	$ 865	$ 715
Exploration expense including dry holes	$ 109	$ 123	$ 110	$ 106	$ 101
Depreciation, depletion, amortization and retirements	$ 522	$ 451	$ 420	$ 368	$ 328
Consumer excise taxes	$ 1,201	$1,156	$1,037	$ 907	$ 874
Income taxes	490	447	369	378	309
General taxes and import duties	197	170	150	147	129
Total taxes	$ 1,888	$1,773	$1,556	$1,432	$1,312
Shareholders at year end	235,937	199,967	171,661	163,450	162,031
Shares outstanding (in thousands)**	207,596	207,565	207,607	207,436	207,216
Wages, salaries and employee benefits	$ 618	$ 574	$ 500	$ 456	$ 419
Employees at year end	61,300	60,000	60,300	58,300	55,600
Employed capital per employee (actual)	$119,900	$114,700	$106,000	$ 92,800	$ 90,000

*Includes net extraordinary gain of $10 million or five cents per share

**After giving effect to the two-for-one stock split in 1968

A financial and statistical supplement to the 1970 Annual Report is available to shareholders. Copies may be obtained by writing to Russell G. Connolly, Vice President and Secretary, Gulf Oil Corporation, P.O. Box 1166, Pittsburgh, Pennsylvania 15230.

Five Year Operating Summary

	1970	1969	1968	1967	1966
Net crude oil, condensate and natural gas liquids produced—daily average barrels					
United States	626,000	602,300	598,800	575,700	519,700
Canada	92,200	85,800	80,100	74,100	67,500
Other Western Hemisphere	204,000	209,000	191,800	201,600	159,300
Eastern Hemisphere	2,127,700	1,906,900	1,674,000	1,523,300	1,486,800
Net crude oil, condensate and natural gas liquids produced	3,049,900	2,804,000	2,544,700	2,374,700	2,233,300
Net natural gas produced—thousand cubic feet per day					
United States	2,757,000	2,509,500	2,367,000	2,151,800	1,876,400
Canada	394,100	355,000	315,000	283,100	269,700
Other Western Hemisphere	78,900	78,600	87,400	89,700	86,100
Eastern Hemisphere	256,000	245,000	225,000	163,400	134,400
Net natural gas produced	3,486,000	3,188,100	2,994,400	2,688,000	2,366,600
Gross wells drilled during the year (A)	1,142	1,326	1,470	1,242	1,253
Net wells drilled during the year (B)	637	914	1,045	841	862
Crude oil processed—daily average barrels (C)					
United States	702,300	687,500	687,200	673,000	642,700
Canada	204,800	197,300	194,900	191,400	182,300
Other Western Hemisphere	197,700	145,400	175,800	191,500	183,200
Eastern Hemisphere	485,900	422,800	336,300	330,700	315,200
Crude oil processed	1,590,700	1,453,000	1,394,200	1,386,600	1,323,400
Refined products sold—daily average barrels					
United States	799,600	796,200	786,600	740,100	707,400
Canada	190,900	186,700	184,800	193,500	176,100
Other Western Hemisphere	89,200	74,400	80,500	68,300	71,800
Eastern Hemisphere	465,300	392,900	344,400	327,400	297,600
Refined products sold	1,545,000	1,450,200	1,396,300	1,329,300	1,252,900
Coal mined—daily average tons	21,500	20,900	25,300	24,600	24,200
Chemicals sold—daily average tons					
United States	10,800	8,500	8,500	6,900	7,600
Canada	2,100	1,100	1,100	1,200	1,300
Other Western Hemisphere	300	200	300	100	—
Eastern Hemisphere	700	400	200	200	100
Chemicals sold	13,900	10,200	10,100	8,400	9,000

Operating data include 100% of volumes of all subsidiaries consolidated (more than 50% owned).

(A) Gross wells drilled represent the total number of wells in which all or a part of the working interest is owned by the company.

(B) Net wells drilled represent only that part of the working interest applicable to the company (i.e., the sum of all fractional interests).

(C) Crude oil processed includes portion processed by outsiders for Gulf's account.

Gulf Oil Corporation

Executive Offices
Gulf Building, Pittsburgh, Pennsylvania

Board of Directors

E. D. BROCKETT
Chairman of the Board

CHARLES M. BEEGHLY

I. G. DAVIS

R. HAL DEAN

F. R. DENTON

B. R. DORSEY

JAMES H. HIGGINS

E. D. LOUGHNEY

BEVERLEY MATTHEWS

NATHAN W. PEARSON

EDWIN SINGER*

JAMES M. WALTON

J. F. DRAKE
Director Emeritus

JOHN F. WALTON, JR.
Director Emeritus

W. K. WARREN
Director Emeritus

GEORGE W. WYCKOFF
Director Emeritus

*Elected January 26, 1971

Principal Corporate Officers

E. D. BROCKETT
Chairman of the Board and Chief Executive Officer

B. R. DORSEY
President

I. G. DAVIS
Executive Vice President

W. L. HENRY
Executive Vice President

Z. Q. JOHNSON
Executive Vice President

W. W. ADAMS
Senior Vice President

A. LEWIS, JR.
Senior Vice President

MERLE E. MINKS
General Counsel

RUSSELL G. CONNOLLY
Vice President and Secretary

H. R. MOORHEAD
Treasurer

FRED DEERING
Comptroller

Principal Divisions, Subsidiary and Affiliated Companies

Gulf Oil Company—U.S.
Houston, Texas

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President

E. HOSFORD
Executive Vice President

R. B. PHILLIPS
Executive Vice President

Gulf Oil Company—Eastern Hemisphere
London, England

JAMES E. LEE
President

M. R. J. WYLLIE
Executive Vice President

Gulf Oil Company—Latin America
Coral Gables, Florida

CLIFF W. PEERY
President

T. D. LUMPKIN
Executive Vice President

Gulf Oil Company—East Asia
Tokyo, Japan

P. E. HOLLOWAY
President

Gulf Oil Company—South Asia
Singapore, Singapore

HERBERT I. GOODMAN
President

Gulf Oil Trading Company
Pittsburgh, Pennsylvania

R. B. HOFFMAN
President

P. H. CLANCY
Executive Vice President

Gulf Oil Canada Limited
Toronto, Canada

JERRY McAFEE
President and Chief Executive Officer

C. D. SHEPARD
Chairman of the Board

Gulf Energy & Environmental Systems Company
San Diego, California

C. A. ROLANDER
President

Gulf Mineral Resources Company
Denver, Colorado

E. B. WALKER
President

Gulf Oil Chemicals Company
Pittsburgh, Pennsylvania

Z. D. BONNER
President

Gulf Oil Company—Transportation
Pittsburgh, Pennsylvania

P. B. BINSTED
President

Gulf Research & Development Company
Harmarville, Pennsylvania

R. J. METCALF
President

LITHO IN U.S.A.

Hong Kong's most impressively designed service station completed its first full year of operation with outstanding results. The station design, which will be used in future Hong Kong construction, was developed by T. K. Yang who is the General Manager of Hong Kong Oil Company, Gulf's jobber.

By the end of 1970, Gulf had 626 service stations adjacent to approximately 50 percent of the Holiday Inns in the United States and Canada through an arrangement which also permits the use of Gulf Travel Cards for the purchase of food and lodging at all Holiday Inns in the United States, Canada, Puerto Rico and the Bahamas.

GULF OIL CORPORATION
GULF BUILDING, PITTSBURGH, PA. 15230

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